

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name BPH FIRE DEPARTMENT	County BARRY
Audit Date 3/31/04	Opinion Date 5/5/04	Date Accountant Report Submitted to State: 9/14/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	ZIP 49002-5599
Accountant Signature 		Date 9/14/04	

BPH Fire Department
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2004

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INDEPENDENT AUDITORS' REPORT

**Members of the Board
BPH Fire Department**

We have audited the accompanying general purpose financial statements of the BPH Fire Department, a component unit of the Township of Barry, Michigan, as of March 31, 2004, and for the year then ended. These general purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the BPH Fire Department, as of March 31, 2004, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Siegfried Crandall P.C.

May 5, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

BPH Fire Department
COMBINED BALANCE SHEET - General Fund and
General Fixed Asset Account Group
March 31, 2004

	<u>General Fund</u>	<u>General Fixed Asset Account Group</u>	<u>Totals</u>
ASSETS			
Cash	\$ 28,100	\$ -	\$ 28,100
Fixed assets	<u>-</u>	<u>561,854</u>	<u>561,854</u>
TOTAL ASSETS	<u>\$ 28,100</u>	<u>\$ 561,854</u>	<u>\$ 589,954</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	<u>\$ 1,012</u>	<u>\$ -</u>	<u>\$ 1,012</u>
FUND EQUITY:			
Investment in general fixed assets	-	561,854	561,854
Fund balance - unreserved, undesignated	<u>27,088</u>	<u>-</u>	<u>27,088</u>
Total fund equity	<u>27,088</u>	<u>561,854</u>	<u>588,942</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 28,100</u>	<u>\$ 561,854</u>	<u>\$ 589,954</u>

See notes to financial statements

BPH Fire Department**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - General Fund***Year ended March 31, 2004*

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:			
Contributions from local units	\$ 15,000	\$ 47,983	\$ 32,983
Interest	50	167	117
Other	<u>3,300</u>	<u>7,954</u>	<u>4,654</u>
Total revenues	<u>18,350</u>	<u>56,104</u>	<u>37,754</u>
EXPENDITURES:			
Public safety:			
Salaries	9,292	9,292	-
Firefighter's wages	15,750	15,267	483
Payroll taxes	1,700	1,945	(245)
Operating supplies	1,850	1,573	277
Professional services	1,100	467	633
Telephone	1,000	736	264
Insurance	10,000	10,634	(634)
Utilities	11,300	9,932	1,368
Repairs and maintenance	23,150	5,480	17,670
Expendable equipment	-	915	(915)
Training and conventions	<u>1,000</u>	<u>992</u>	<u>8</u>
Total public safety	76,142	57,233	18,909
Capital outlay	<u>4,125</u>	<u>25,838</u>	<u>(21,713)</u>
Total expenditures	<u>80,267</u>	<u>83,071</u>	<u>(2,804)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(61,917)	(26,967)	34,950
OTHER FINANCING SOURCES:			
Operating transfer in - primary governmental unit	<u>16,755</u>	<u>16,755</u>	<u>-</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(45,162)	(10,212)	34,950
FUND BALANCE - BEGINNING OF YEAR	<u>37,300</u>	<u>37,300</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (7,862)</u>	<u>\$ 27,088</u>	<u>\$ 34,950</u>

See notes to financial statements

BPH Fire Department
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the BPH Fire Department (the Department) conform to generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant accounting policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Department. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Department exercises oversight responsibility.

Costs of operations and capital expenditures are supported by contributions from the Townships of Barry, Prairieville, and Hope. The Department is considered a component unit of the Township of Barry, Michigan.

b) Basis of accounting:

The accounts of the Department are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The operations of each are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The fund and account group are described as follows:

General Fund - this fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund.

General fixed asset account group - this account group presents the fixed assets of the Department utilized in its general operations.

c) Basis of accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Department prepares its financial statements on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

d) Budgets and budgetary accounting:

The Department follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978), as prescribed by the State of Michigan. The budget is adopted at the functional level and is consistent with generally accepted accounting principles.

BPH Fire Department
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e) *Fixed assets:*

Fixed assets used in operations are accounted for in the general fixed asset account group, rather than in the General Fund. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

This account group is not a fund. It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

NOTE 2 - CASH:

Deposits are carried at cost. Michigan Compiled Laws, Section 129.91, authorizes the Department to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Department's deposits are in accordance with statutory authority.

At March 31, 2004, the Department had deposits with financial institutions with a carrying amount of \$28,100 and a bank balance of \$28,100 that is covered by federal depository insurance.

NOTE 3 - GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	<i>Balance April 1, 2003</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance March 31, 2004</i>
Land	\$ 3,800	\$ -	\$ -	\$ 3,800
Buildings	30,487	-	-	30,487
Machinery and equipment	190,022	25,838	-	215,860
Vehicles	303,694	-	-	303,694
Office equipment	<u>8,013</u>	<u>-</u>	<u>-</u>	<u>8,013</u>
Total investment in general fixed assets	<u>\$536,016</u>	<u>\$25,838</u>	<u>\$ -</u>	<u>\$561,854</u>

NOTE 4 - RISK MANAGEMENT:

The Department is exposed to various risks of losses for claims arising from general liability, wrongful acts, professional liability, property damage and destruction, crime, accidents, and injuries.

BPH Fire Department
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RISK MANAGEMENT (Continued):

Risks of losses arising from possible claims are managed through the purchase of commercial insurance. Coverage for general, professional, and wrongful act liabilities are set at \$2,000,000 per incident, with policy period maximums at \$2,000,000. Fleet liability coverage includes bodily injury and property damage liability protection up to \$2,000,000 and damage coverage at replacement value for fire and rescue vehicles.

Employees are insured for accidental death or disability. Workers' compensation coverage covers bodily injury by accident or disease with coverage ranging from \$100,000 per accident, per employee up to a \$500,000 policy limit.

For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Department's actual expenditures and budgeted expenditures for the budgetary funds have been presented on a functional basis. The approved budget of the Fire Department was adopted at the functional level.

During the year ended March 31, 2004, the Department incurred expenditures that were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$4,125	\$25,838	\$21,713

NOTE 6 - STATUTORY COMPLIANCE:

P.A. 621 of 1978, Section 15, as amended, provides that total estimated expenditures in the budget shall not exceed the total estimated revenues, including an available unappropriated surplus. The Department budgeted a deficit for the year ended March 31, 2004.